

ORIGINAL

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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MAILING ONLINE SERVICE

Docket No. MC98-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF DECISION OF THE GOVERNORS

The following Decision of the Governors has been mailed to the service list in
Docket No. MC98-1:

Decision of the Governors of the United States Postal Service on
the Recommended Decision of the Postal Rate Commission on the
Market Test of Mailing Online Service, Docket No. MC98-1 (October
16, 1998)

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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October 22, 1998



**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE
ON THE RECOMMENDED DECISION OF THE POSTAL RATE COMMISSION
ON THE MARKET TEST OF MAILING ONLINE SERVICE, DOCKET NO. MC98-1**

October 16, 1998

STATEMENT OF EXPLANATION AND JUSTIFICATION

On October 7, 1998, the Postal Rate Commission transmitted to us its Opinion and Recommended Decision on the market test portion of Docket No. MC98-1, a proceeding that began with the Request of the United States Postal Service for a Recommended Decision on a Market Test Classification and Fee Schedule, and a *Recommended Decision on an Experimental Classification and Fee Schedule for Mailing Online Service*, filed with the Commission on July 15, 1998.

The Postal Service proposed the establishment of a classification and associated fees for a market test of Mailing Online service, which would precede an experimental version of Mailing Online. Based on the experiment, the Postal Service would determine whether to request a permanent Mailing Online classification.

Mailing Online service allows small mailers to enter First-Class Mail and Standard Mail into the mailstream using a personal computer via the internet. To use Mailing Online, a mailer composes a document using word processing or desktop publishing software, accesses a Postal Service website, and chooses from among various printing, finishing, and payment options. The mailer completes the order by sending the electronic document and a mailing list to the Postal Service Web site. The Postal Service then batches (combines) all submitted jobs and transmits them electronically to digital printing contractors, who print the documents, finish and envelope them, and enter them as mail at a local postal facility.

The primary goal of Mailing Online is to make it more convenient for small customers, such as individuals and small and home businesses, to mail their documents. Because the preparation of the mail would be under the control of the Postal Service and its contractors, Mailing Online would improve the automation compatibility and presortation of small mailings.

The market test will allow the Postal Service to test this service with up to 5,000 customers, charging fees that cover the costs for pre-mail services (primarily printing and mail preparation provided by contractors), as well as the Automation Basic rates for First-Class Mail or Standard Mail, as selected by the customer.¹ The fees for pre-mail services proposed by the Postal Service and recommended by the Commission are calculated by applying a 25 percent markup to the sum of the contract price for the printing and finishing options selected by the mailer plus 0.1 cent per impression to cover Postal Service information systems costs.

The market test will allow the Postal Service to verify customer demand for the service in general and for particular service features, and will also examine the Postal Service's ability to work with private printers in providing the service. The Postal Service also plans to collect data during the market test in order to support its request for an experimental Mailing Online service, as well as a possible subsequent filing to make Mailing Online service permanent.

¹ The Postal Service requested and the Commission recommended that the minimum volume requirements usually applicable to these categories not be applied to Mailing Online pieces, since it is not possible to know, at the time such mailings are submitted, what the actual depth of sort of all that day's jobs batched and submitted by the printer will be. The application of Automation Basic rates is an attempt to reflect the average mailstream costs of Mailing Online pieces. Even if some batches do not meet the minimums, other batches which could be more finely presorted, and thus would otherwise be eligible for deeper discounts than the basic presort discount, will be entered using only the basic presort rates. As the Commission notes, the next phase of this case will allow further evaluation of this averaging assumption.

With its Request, the Postal Service sponsored the testimony and exhibits of eight witnesses, including policy, cost, demand, and pricing presentations, as well as support from a printers' association and two customers. Twenty-eight parties, plus the Commission's Office of the Consumer Advocate and the Postal Service, took part in the proceeding (eleven as limited participants). Only one party, Pitney Bowes, offered testimony in rebuttal to the Postal Service's direct case. After holding hearings, the Commission returned its Recommended Decision in less than the 90 days specified by the Commission's rules for consideration of market test requests.

With only minor modification,² the Commission recommends the classification changes and fees proposed by the Postal Service. We approve the Recommended Decision and order it placed into effect.

The Postal Service requested consideration of its proposal for Mailing Online service under both the Commission's market test and experimental rules, 39 C.F.R. §§ 3001.67-67d and 161-166. The Postal Service also requested expedited consideration of its filing, and moved for waiver of certain of the requirements for a market test. We appreciate the Commission's prompt action in issuing its Recommended Decision. The Commission has shown flexibility in waiving certain of its rules which do not need to be applied to limited cases such as this one, and in allowing the combination of both a market test and an experiment as a reasonable, incremental means to introducing a

² The Postal Service had requested that Mailing Online pieces entered as Standard Mail be eligible for the Destination Bulk Mail Center entry discount, based on its longer-range plans to have a printing contractor for each BMC area. During the market test, however, the single contract printer will enter all Mailing Online pieces at one facility in Massachusetts, regardless of the destination of the pieces. Thus, the Commission declined to recommend an exemption for Mailing Online from the otherwise applicable place-of-entry requirements for the DBMC discount during the market test, but indicated it would reconsider the matter during the experiment phase.

new service. The service, as recommended by the Commission, is consistent with all of the key aspects of the Postal Service's proposal.³

The Commission recommended a novel, "floating" fee schedule, which, in place of particular fees, displays the formula (discussed above) by which the fees are calculated based on the prices set forth in the contract between the Postal Service and the printer, rather than fixed fees for the particular contract currently in place. As the Commission noted, this allows for the flexibility needed to accommodate the potential use of multiple printing contractors and to accommodate changes in individual contracts without further proceedings.

The Commission concluded that the classification and fees it recommends are in accordance with the specifically applicable criteria of the Postal Reorganization Act, with several of the basic mandates of the Postal Service, and with the interests of both the Postal Service and the public. We agree.

ESTIMATE OF ANTICIPATED REVENUE

The Postal Reorganization Act requires that our decision include an estimate of anticipated revenues. 39 U.S.C. § 3625(e). We estimate that the rate and classification changes that we are implementing will have an effect on revenues of less than \$5 million during the period of time they will be in place.

³ We note that the Commission's Opinion and Recommended Decision contains discussion of many substantive issues pertinent to its analysis under the Act, including, for example, a discussion of applicable antitrust doctrines (see, e.g., Opinion at 21-30). For purposes of our decision here, we need not address these matters now. In approving the Commission's recommendation of the Mailing Online market test, however, we do not necessarily endorse every element of the Commission's analysis. The Commission, furthermore, indicates that a number of issues will be left for resolution in the course of litigating the experimental phase of this case. We may therefore have occasion to consider these topics when the Commission issues its next Recommended Decision in this docket.

ORDER

In accordance with the foregoing Decision of the Governors, the changes in postal rates and changes to the Domestic Mail Classification Schedule, and its attendant rate and fee schedules, set forth in Attachment A hereto and incorporated herein, are hereby approved and ordered into effect. Attachment A contains the changes to the existing *Domestic Mail Classification Schedule and its attendant rate schedules*. In accordance with Resolution 98-13 of the Board of Governors dated October 16, 1998, the changes set forth in Attachment A will take effect at 12:01 a.m. on October 22, 1998.

By The Governors:



Vice Chairman

RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE

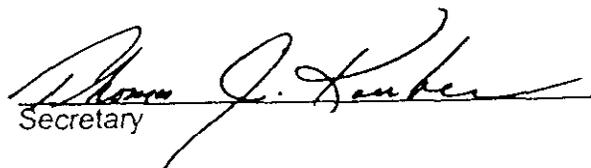
Resolution No. 98-13

Effective Date of New Rates
of Postage and Changes to the
Domestic Mail Classification Schedule
for the Market Test for Mailing Online Service

RESOLVED:

Pursuant to section 3625(f) of Title 39, United States Code, the Board of Governors determines that the fees and changes to the Domestic Mail Classification Schedule that were ordered to be placed into effect by the Decision of the Governors adopted on October 16, 1998 shall become effective. As ordered by the Decision of the Governors adopted on October 16, 1998, those changes to the existing Domestic Mail Classification Schedule and its attendant rate schedules shall become effective at 12:01 a.m. on October 22, 1998.

The foregoing Resolution was adopted by the Board of Governors on October 16, 1998.


Secretary

CHANGES IN RATE AND FEE SCHEDULES

**FIRST-CLASS MAIL
SCHEDULE 221 NOTES**

* * * * *

- ³ Rates apply to bulk-entered mailings of at least 500 letter-size pieces, which must be delivery point barcoded and meet other preparation requirements prescribed by the Postal Service and, for the Basic Presort rate, documents provided for entry as mail using Mailing Online service, pursuant to classification schedule SS-7.

* * * * *

- ⁸ Rates apply to bulk-entered mailings of at least 500 flat-size pieces, each of which must be delivery point barcoded or bear a ZIP+4 barcode, and must meet other preparation requirements prescribed by the Postal Service and, for the Basic Presort rate, documents provided for entry as mail using Mailing Online service, pursuant to schedule SS-7.

Add Schedule SS-7 to read as follows.

SCHEDULE SS-7 — Mailing Online

Feature	Fee
Paper (per sheet)	
8½ x 11	1.25(P ₁)
8½ x 14	1.25(P ₂)
11 x 17	1.25(P ₃)
Printing (per impression)	
Simplex (8½ x 11)	1.25(P ₄ + 0.1¢)
Simplex (8½ x 14)	1.25(P ₅ + 0.1¢)
Duplex (8½ x 11)	1.25(P ₆ + 0.1¢)
Duplex (8½ x 14)	1.25(P ₇ + 0.1¢)
Spot Color (per impression)	1.25(P ₈)
Finishing	
Folding (per fold)	1.25(P ₉)
Stapling (per staple)	1.25(P ₁₀)
Saddle Stitch (per finished piece)	1.25(P ₁₁)
Tape Binding (8½ x 11) (per finished piece)	1.25(P ₁₂)
Tape Binding (8½ x 14) (per finished piece)	1.25(P ₁₃)
Applying Tabs to Self Mailer	1.25(P ₁₄)
Envelopes	
#10 envelope	1.25(P ₁₅)
Flat envelope	1.25(P ₁₆)
Inserting (per envelope)	
#10 envelope	1.25(P ₁₇)
Flat envelope	1.25(P ₁₈)

Note: P_x represents contractual costs, for feature x, that the Postal Service will pay based on the Mailing Online printer contract between Vestcom International, Inc. and the United States Postal Service. The market test fees expire in accordance with the provisions in classification schedule SS-7, section 7.051.

CHANGES IN THE DOMESTIC MAIL CLASSIFICATION SCHEDULE

**FIRST-CLASS MAIL
CLASSIFICATION SCHEDULE**

221.31 a. Is prepared in a mailing of at least 500 pieces, or is provided for entry as mail using Mailing Online service, pursuant to schedule SS-7;

* * * * *

260 [First-Class Mail, except as otherwise noted, will receive the following additional services upon payment of the fees prescribed in the corresponding schedule:] The following services may be obtained in conjunction with mail sent under this classification schedule upon payment of applicable fees:

* * * * *

- j. Reserved
- k. Reserved
- l. Mailing Online SS-7

* * * * *

**STANDARD MAIL
CLASSIFICATION SCHEDULE**

* * * * *

321.231 a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces, or is provided for entry as mail using Mailing Online service, pursuant to schedule SS-7.

* * * * *

364 **Regular**

The following service may be obtained in conjunction with mail sent under this classification schedule upon payment of the appropriate fees;

<u>Service</u>	<u>Schedule</u>
a. <u>Mailing Online</u>	<u>SS-7</u>

Add Classification Schedule SS-7 to read as follows.

CLASSIFICATION SCHEDULE SS-7 — MAILING ONLINE

7.01 **Definition**

7.010 Mailing Online is a service that allows mailers to submit electronic documents, with address lists, for subsequent conversion into hard copy form, entry as mail, and delivery.

7.02 **Description of Service**

7.020 Mailing Online is available for documents submitted in an electronic form, along with an address list, to be entered under the following classification schedules:

- a. First-Class Mail;
- b. Regular subclass of Standard Mail.

7.021 Documents presented through Mailing Online are eligible for the following rate categories:

- a. First-Class Mail Letters and Sealed Parcels Automation Letters Basic
- b. First-Class Mail Letters and Sealed Parcels Automation Flats Basic
- c. Standard Mail Regular Automation Basic Letters
- d. Standard Mail Regular Automation Basic Flats

7.03 **Requirements of the Mailer**

7.031 Documents and address lists must be presented in electronic form, as specified by the Postal Service, through the Postal Service's Mailing Online internet site. Documents must be prepared using application software approved by the Postal Service.

7.04 **Fees**

7.041 The fees for Mailing Online service are described in Fee Schedule SS-7.

7.05 Duration of Market Test

- 7.051 The provisions of schedule SS-7 expire no later than implementation of an experimental Mailing Online service following acceptance or allowance by the Governors of the Postal Service of a recommended decision by the Postal Rate Commission, or no later than 3 months after issuance of a recommended decision by the Commission rejecting the Postal Service's request for an experimental Mailing Online service; or no later than 3 months after issuance of a decision by the Postal Service Governors rejecting a Commission recommended decision on an experimental Mailing Online service.